Revised paragraph 208 of the main text

208.   Even if it does exclude broadcasting, use of the KLEMS (Telecommunications) dataset is problematic for several additional reasons. First, the KLEMS (Telecommunications) dataset develops a value-added, rather than a gross output measure of productivity growth.[1] Value-added productivity compares the growth in value-added (gross output less intermediate inputs of energy, materials and services) with the growth in the primary inputs of capital and labor. Hence it does not provide a measure of *total* factor productivity needed to calibrate a price cap X-factor that will apply to the total price of DSn services.[2] Further, value-added productivity growth will always mathematically overstate gross output total factor productivity growth to the degree that gross output exceeds value-added.[3] Thus, use of KLEMS (Telecommunications) data would provide only a biased-upwards productivity measure that is inapposite for a price cap X-factor. In addition, the KLEMS (Telecommunications) data set does not provide a price index for the complete set of KLEMS inputs, another key component of our X-factor equation (2).[4] Each of these problems—lack of transparency, employing a value-added methodology and omission of critical primary input prices—provides an independent basis for not using KLEMS (Telecommunications) in our X-factor calculations. We therefore reject this dataset as a potential data source for those calculations.

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[1] *See* AT&T Aug. 9, 2016 Letter, Meitzen & Schoech Decl. at 4-5; CenturyLink Aug. 9, 2016 Letter, Schankerman & Régibeau Decl. at 23, paras. 58-60.

[2] *See* AT&T Aug. 9, 2016 Letter, Meitzen & Schoech Decl. at 4-5.

[3] *See* AT&T Aug. 9, 2016 Letter, Meitzen & Schoech Decl. at 4-5; CenturyLink Aug. 9, 2016 Letter, Schankerman & Régibeau Decl. at 23, paras. 58-60.

[4] The KLEMS (Telecommunications) dataset only provides a price index for the intermediate inputs of energy, materials and services, and omits prices for capital and labor inputs. *See* AT&T Aug. 9, 2016 Letter, Meitzen & Schoech Decl. at 5; CenturyLink Aug. 9, 2016 Letter, Schankerman & Régibeau Decl. at 8, para. 18 & at 26, para. 66.

Paragraph 29 of Appendix B. The last sentence of this paragraph should read:

Schankerman and Régibeau also note that KLEMS (Telecommunications) does not include a price index for inputs such as capital and labor inputs "which make up most of value added and more than half of total costs" which leads to inconsistency "between the TFP measure (which is based on value added) and the input price index used."[5]

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[5] CenturyLink Aug. 9, 2016 Letter, Schankerman & Régibeau Decl. at 8, para. 18 & at 26, para. 66.